A Systematic Review on the Application of Artificial Intelligence in Decentralized Finance

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October 9, 2025

Abstract

This paper presents a comprehensive systematic review of the rapidly evolving field of Decentralized Finance (DeFi) and the crucial role that Artificial Intelligence (AI) plays within it. Using a PRISMA-guided search strategy, 39 peer-reviewed articles were identified and analyzed. Key areas of AI application in DeFi are classified as fraud detection, smart contract security, market prediction, credit risk assessment, and governance. The review synthesizes the findings, detailing the AI techniques employed (e.g., machine learning, deep learning, graph neural networks, reinforcement learning, and natural language processing) and assesses their demonstrated performance. Emerging trends and challenges (such as data scarcity, real-time processing, cross-chain integration, and interpretability) are also discussed. The analysis shows that AI has moved beyond an auxiliary role to become an indispensable component for managing DeFi's permissionless, immutable environment. AI's strengths in pattern recognition, anomaly detection, and predictive analytics are presented as essential for building trust and stability in this new financial paradigm. Finally, we discuss implications for future research, emphasizing the need for AI to evolve alongside DeFi in order to ensure security, efficiency, and regulatory compliance.

***K*eywords** Decentralized Finance · Artificial Intelligence · Smart Contracts · Fraud Detection · Vulnerability Detection · Machine Learning · Blockchain · Systematic Review

1 Introduction

Decentralized Finance (DeFi) is fundamentally transforming the financial industry by leveraging blockchain's immutable, peer-to-peer infrastructure to establish a permissionless, intermediary-free ecosystem [1, 2]. In legacy financial markets, Artificial Intelligence (AI) has already driven significant advancements—powering sophisticated algorithmic trading strategies, real-time fraud detection systems, and automated advisory services [3, 4]. Yet, the application of AI within DeFi is both critical and uniquely demanding, owing to the absence of centralized governance and traditional safeguards that mitigate systemic risk.

This systematic review maps the intersection of AI and DeFi, synthesizing how AI methods address the emergent challenges and opportunities in decentralized financial protocols. In DeFi, services such as lending, trading, and asset management are automated through smart contracts on platforms like Ethereum [12]. While these blockchain-based architectures promise global accessibility, transparency, and financial inclusion, they also introduce new vulnerabilities: code exploits, oracle manipulation, and logic flaws that can precipitate large-scale losses [11]. To counter these threats, researchers are exploring a spectrum of AI techniques—from classical machine learning to advanced deep neural architectures—to detect anomalies and reinforce protocol security. For example, tree-based classifiers have been employed to flag suspicious transaction patterns, while graph neural networks have demonstrated efficacy in uncovering logic vulnerabilities within decentralized exchanges [5, 6].

Beyond security, AI-driven risk management frameworks have been shown to enhance the operational resilience of DeFi markets by optimizing liquidity provisioning and dampening price volatility [7]. Such tools not only improve

platform stability but also uphold blockchain's core tenets of transparency and decentralization. Nevertheless, the rapid proliferation of research in AI and DeFi has resulted in a fragmented landscape, where many studies tackle isolated problems without offering integrated, cross-protocol solutions [8].

A central obstacle in melding AI with DeFi lies in reconciling AI's inherent "black-box" decision processes with the trustless, audit-centric ethos of blockchain systems. Explainable AI (XAI) techniques, including SHAP (SHapley Additive exPlanations) and LIME (Local Interpretable Model-agnostic Explanations)—have emerged as vital tools for rendering AI decisions transparent and verifiable [9, 10]. By enabling stakeholders to audit credit-scoring algorithms or transaction-validation models, XAI fosters trust in decentralized environments where traditional regulators cannot intervene.

Despite these advances, practical limitations persist. High transaction throughput, cross-chain interoperability demands, and the dynamic nature of DeFi markets place considerable strain on contemporary AI models. Moreover, challenges such as inflated Total Value Locked (TVL) metrics and Miner Extractable Value (MEV) continue to pose systemic-risk concerns that may be exacerbated by misaligned AI optimization objectives (Daian et al., 2020). This review synthesizes these developments by examining (1) AI-enhanced security protocols, (2) algorithmic risk management systems, (3) transparency-preserving XAI architectures, and (4) regulatory challenges.

Advanced AI techniques such as sentiment analysis from social media, ensemble-based hyperparameter optimization for robust decision-making [79], and algorithmic efficiency through adaptive hybridization [80] collectively illustrate how machine learning innovations can enhance the scalability, security, and intelligence of DeFi systems. Some address the core challenges such as prediction, efficiency, decentralization, and real-time processing. [59, 60] support time series prediction and energy-efficient AI crucial for DeFi market analysis, while [61] offers insights into investor sentiment aligned with anomaly detection. [62, 63] explore blockchain-integrated AI and organizational performance, reinforcing AI's role in secure, efficient DeFi systems. [64, 65] propose privacy-preserving, real-time, and compliant AI methods. [66, 67] demonstrate lightweight, scalable AI and zero-shot learning, relevant to cross-chain DeFi applications. [68] directly addresses decentralized model training, showing the review's emphasis on scalable, privacy-aware AI in DeFi. AI and deep learning are driving innovation across diverse domains, from finance and infrastructure to healthcare and energy. In the financial context, [69] demonstrates how AI enhances growth hacking strategies through real-time decision-making and personalization, while [70] introduces a reinforcement learning–based model for optimizing resource allocation in scale-ups. Applications in infrastructure are showcased by [71], and [72] for condition assessment, and [73] and [74] for damage detection. In healthcare, [75] presents a deep learning framework for predicting infection severity, and [76] develops a privacy-preserving platform for secure genomic research. Further, [77] explores neural network models for urban transportation forecasting, and [78] provides a comprehensive review of energy-efficient Earth-to-Air Heat Exchanger systems. Artificial intelligence and decision-support research highlight the role of NLP for extracting structured knowledge from complex text sources [81] and the use of value-focused frameworks for assessing resilience in disruptive contexts [82]. Stochastic entanglement configurations in quantum machine learning have been shown to systematically optimize model performance by exploring diverse adaptive topologies, demonstrating the potential of advanced AI strategies for improving predictive accuracy in complex systems [83]. [88] shows AI's role in anomaly detection through advanced machine learning and AI as indispensable for human-centered resilience and trust [89]. Also, [90] highlights AI as an enabler of trust, predictive analytics, and resilience in complex systems. Recent advances in time-series analysis demonstrate that integrating temporal context through Bayesian meta-classification and carefully designed embedding methods can significantly enhance predictive accuracy, providing valuable strategies for modeling sequential financial data in decentralized finance applications [84]. Hybrid data-driven approaches, such as clustering using multi-criteria decision-making and frameworks for leveraging AI to enhance strategic decision-making, illustrate how artificial intelligence can optimize complex systems and support informed decision-making in decentralized finance contexts [85]. [91] highlights AI's role in anomaly detection and system protection by streamlining security vulnerability triage with large language models and [92, 93] emphasizes secure and scalable blockchain voting with AI as an enabler of trust and resilience in complex environments. These works collectively highlight the expansive and interdisciplinary impact of AI across both technical and societal challenges.

1.1 Overview of DeFi

DeFi represents a paradigm shift in global finance by establishing a new system built upon blockchain technology, operating without traditional banks or intermediaries [59]. This innovative ecosystem uses self-executing smart contracts to deliver financial services such as lending, trading, savings, and yield generation. Effectively, DeFi functions as a permissionless global bank accessible to anyone with a cryptocurrency wallet [59]. Ethereum has been a pioneer in this revolution, hosting foundational protocols like Uniswap (decentralized exchange), Aave (lending), and MakerDAO (stablecoin issuance). However, Ethereum's growth has led to issues like high transaction fees during congestion, prompting alternative blockchains to emerge [59]. The core promise of DeFi—permissionless global access—also

means it lacks traditional safeguards (e.g., KYC, AML compliance, centralized fraud oversight). This absence of intermediaries creates unique vulnerabilities, making security and trust critical concerns in DeFi.

1.2 Role of AI in Finance

In traditional finance, AI has revolutionized many areas: automated trading, personalized wealth management (robo-advisors), advanced fraud detection, dynamic risk scoring, natural language customer service, and automated compliance. These applications demonstrate AI's ability to process complex datasets, find intricate patterns, and automate sophisticated tasks. However, applying AI to DeFi is more than just an extension of these capabilities. Because DeFi inherently lacks centralized controls, AI in this context must help establish and maintain fundamental trust and security, not merely optimize existing processes. In centralized finance, AI often fine-tunes a regulated system. In DeFi, by contrast, AI must compensate for missing structures and serve as a foundational pillar for system integrity. In essence, AI in DeFi must do more than complement the system; it must underpin its reliability and functionality.

1.3 Motivation for a Systematic Review on AI in DeFi

DeFi has seen explosive growth—its Total Value Locked (TVL) reached roughly $180 billion by late 2021, up from $15 billion in 2020. This more-than-tenfold increase, however, has come with substantial losses from hacks, scams, and exploits (about $16.7 billion stolen over a 12-year span [33]). The permissionless and immutable nature of DeFi, while revolutionary, also means traditional protective measures do not exist, creating fertile ground for novel threats. In response, researchers and practitioners have begun applying AI across various DeFi domains: from scam and vulnerability detection to market prediction and portfolio optimization. Given the dynamic and high-stakes nature of this field, a thorough systematic review is necessary to synthesize the state of the art. Such a review will clarify how current AI solutions address DeFi's unique challenges, pinpoint research gaps, and guide future developments. Critically, this analysis goes beyond cataloging AI applications—it examines whether these AI implementations are robust and adaptive enough to keep pace with DeFi's rapid evolution. We aim to answer questions about the long-term sustainability and effectiveness of AI in DeFi.

1.4 Research Questions and Objectives

This review is guided by key research questions:

- What are the primary application areas of AI in Decentralized Finance?
- What specific AI techniques are being employed in these applications?
- What are the key findings, strengths, and limitations of current AI applications in DeFi?
- What are the emerging trends and future directions for AI in DeFi research?

The objectives align with these questions: to systematically map the research landscape of AI in DeFi, identify common methodologies, synthesize important results, and outline avenues for future work. Addressing these questions requires bridging two domains: AI technology and the nuances of decentralized financial markets. AI solutions in DeFi must be technically sound and financially aware. The goal is to provide a comprehensive understanding of AI's role in DeFi that spans technical, financial, and regulatory dimensions.

2 Method

A systematic search strategy was conducted to identify literature on Artificial Intelligence in Decentralized Finance. The two primary academic databases used were Scopus and Web of Science. Search queries were carefully constructed to focus on the intersection of AI (including deep learning, reinforcement learning, etc.) and DeFi. The search was limited to titles and abstracts to ensure relevance. For example, Scopus was queried for titles/abstracts containing terms like "artificial intelligence", "deep learning", and "decentralized finance." This approach aimed to capture innovative AI solutions specifically tailored to DeFi's challenges. The initial search yielded 267 records from Scopus and 77 from Web of Science (344 total). For both databases, only titles and abstracts were searched to prioritize directly relevant work. This targeted approach ensured that AI and DeFi were central themes in the identified papers, rather than incidental mentions. By focusing on these key fields, we increased precision and selected only research fundamentally focused on the AI-DeFi intersection. The initial total of 344 records was then filtered through inclusion and exclusion criteria (described below). After screening and full-text review according to PRISMA guidelines, 39 peer-reviewed papers remained for detailed analysis.

2.1 Inclusion and Exclusion Criteria

To ensure relevance, we defined clear criteria.

2.1.1 Inclusion Criteria:

- Papers specifically Studies explicitly focusing on the application of Artificial Intelligence (including Machine Learning, Deep Learning, Reinforcement Learning) within Decentralized Finance.
- Publications identified as peer-reviewed research articles (conference papers or journal articles).

2.1.2 Exclusion Criteria:

- Review or survey papers (we aimed to review primary research, not previous reviews). Excluding reviews avoids re-summarizing existing summaries and maintains a focus on original contributions.
- Books or book chapters.
- • Papers unrelated to the AI-DeFi intersection. For instance, studies solely about blockchain without an AI component, or AI in traditional finance without DeFi context, were excluded.

These criteria ensured that only novel, primary research on AI in the context of DeFi was included.

2.2 Study Selection Process (PRISMA)

The selection process followed the PRISMA guidelines for transparency and reproducibility. The stages were:

2.2.1 Identification:

We found 267 records from Scopus and 77 from Web of Science, for a total of 344.

2.2.2 Screening:

We first removed duplicates (none were found among the unique IDs). Next, we screened titles and abstracts for relevance. After this step, 305 records were excluded (for reasons such as being review papers, books, unrelated topics, or having AI/DeFi only as minor mentions).

2.2.3 Eligibility:

We then performed full-text assessment on the remaining papers. A total of 39 full-text articles were reviewed, and all were deemed suitable (no further exclusions).

2.2.4 Included:

Finally, 39 studies were included in the qualitative synthesis.

This rigorous filtering is depicted in a PRISMA flow diagram (Figure 1) and ensures transparency about how the final set of 39 papers was obtained. The drop from 344 initial records to 39 included studies highlights the focused and systematic nature of our review, emphasizing that only highly relevant, high-quality research was analyzed.

2.3 Data Extraction and Synthesis

From each of the 39 included studies [20]–[58], relevant data were systematically extracted. This included the primary AI application area, specific techniques used, dataset characteristics, key findings (e.g., accuracy or performance metrics), noted limitations, and suggested future work. The synthesis was thematic. Papers were grouped by common AI application areas (e.g., fraud detection, market prediction, smart contract security) and by the AI techniques they employed. This thematic approach allowed us to identify overarching trends, commonly used methodologies, and recurring strengths and weaknesses across the literature. By extracting both positive results and reported limitations, we ensured a balanced understanding of each paper. This method goes beyond listing findings—it helps gauge the field's maturity and persistent challenges. The elements of data extraction (application area, techniques, findings, limitations, future directions) are summarized in a table format for clarity.

Keywords were further analyzed using a density visualization (Figure 2). This figure highlights how research topics cluster: for example, terms like "smart contract," "Ethereum," and "vulnerability" often appear together, indicating their

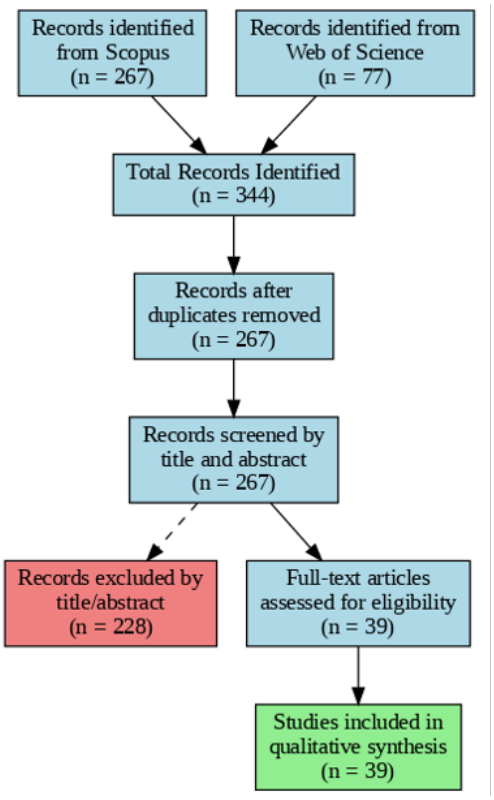
Records identified from Scopus (n = 267)
Records identified from Web of Science (n = 77)
Total Records Identified (n = 344)
Records after duplicates removed (n = 267)
Records screened by title and abstract (n = 267)
Records excluded by title/abstract (n = 228)
Full-text articles assessed for eligibility (n = 39)
Studies included in qualitative synthesis (n = 39)

Figure 1: PRISMA Flow Diagram for Study Selection

centrality in current AI-DeFi research. This keyword landscape provides a bird's-eye view of the major themes present in the literature.

The bar chart Fig. 3 depicting the "Publisher" column for the 39 selected papers provides a clear visualization of the distribution of publications across different publishers. This bar chart illustrates the publication landscape for the 39 selected papers, highlighting the most prolific publishers and providing insights into where significant research efforts are concentrated.

By capturing these details, our review identified several recurring problems such as data scarcity, real-time application hurdles, and cross-chain compatibility issues—challenges not fully addressed in existing work. Recognizing these gaps provides a roadmap for guiding future research efforts.

3 Results

The systematic review covered 39 distinct research papers, each advancing knowledge about AI's role in DeFi. These studies span a wide range of applications, confirming that AI has a pervasive role across the DeFi ecosystem rather than being a niche solution. A high-level summary of each study is provided in Table 1, which outlines the focus area, AI techniques used, key contributions, and limitations for Papers [20] through [58]. Table I shows the breadth and diversity of AI applications in DeFi.

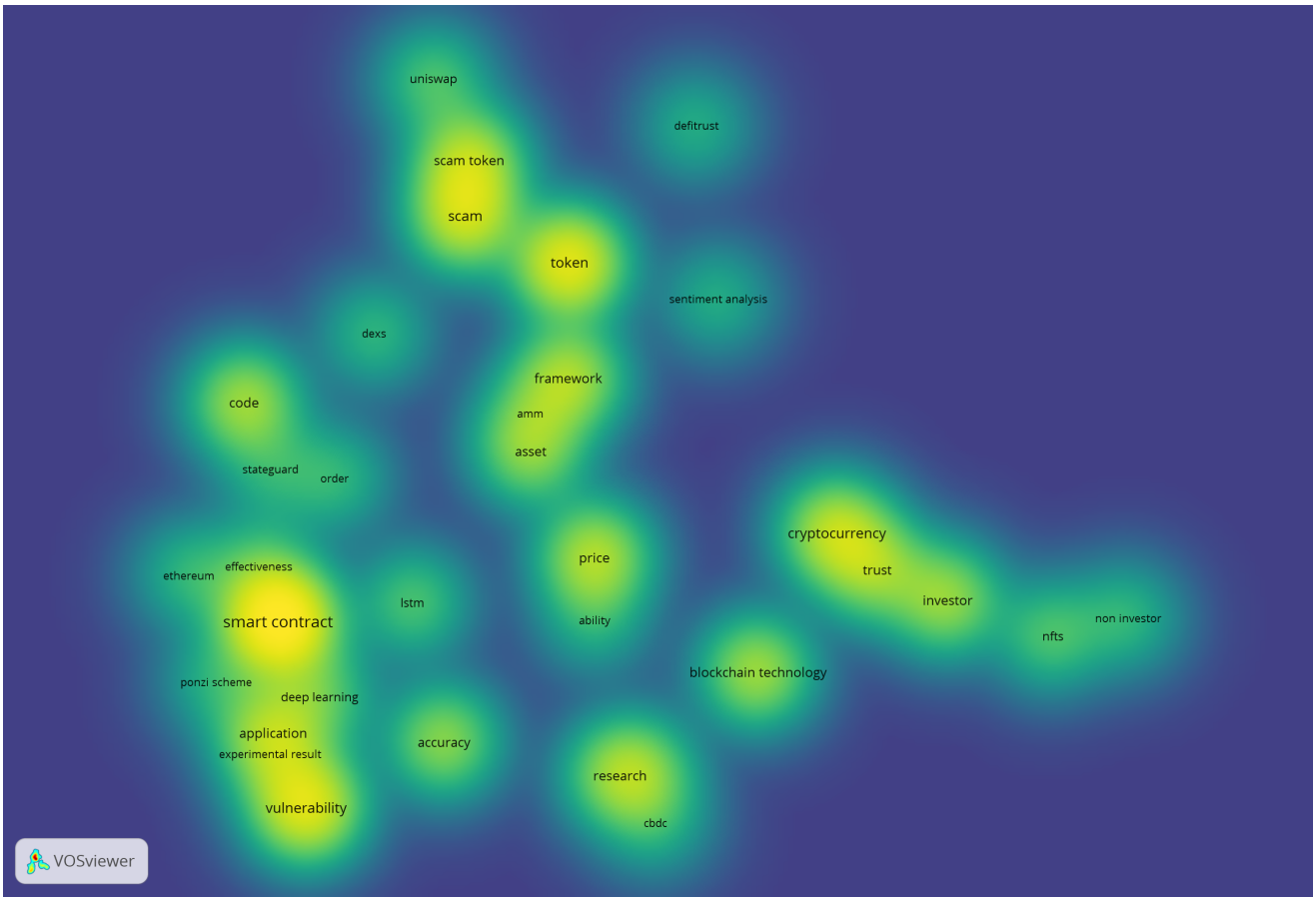

Figure 2: Concentration of keywords or topics across the selected 39 papers.

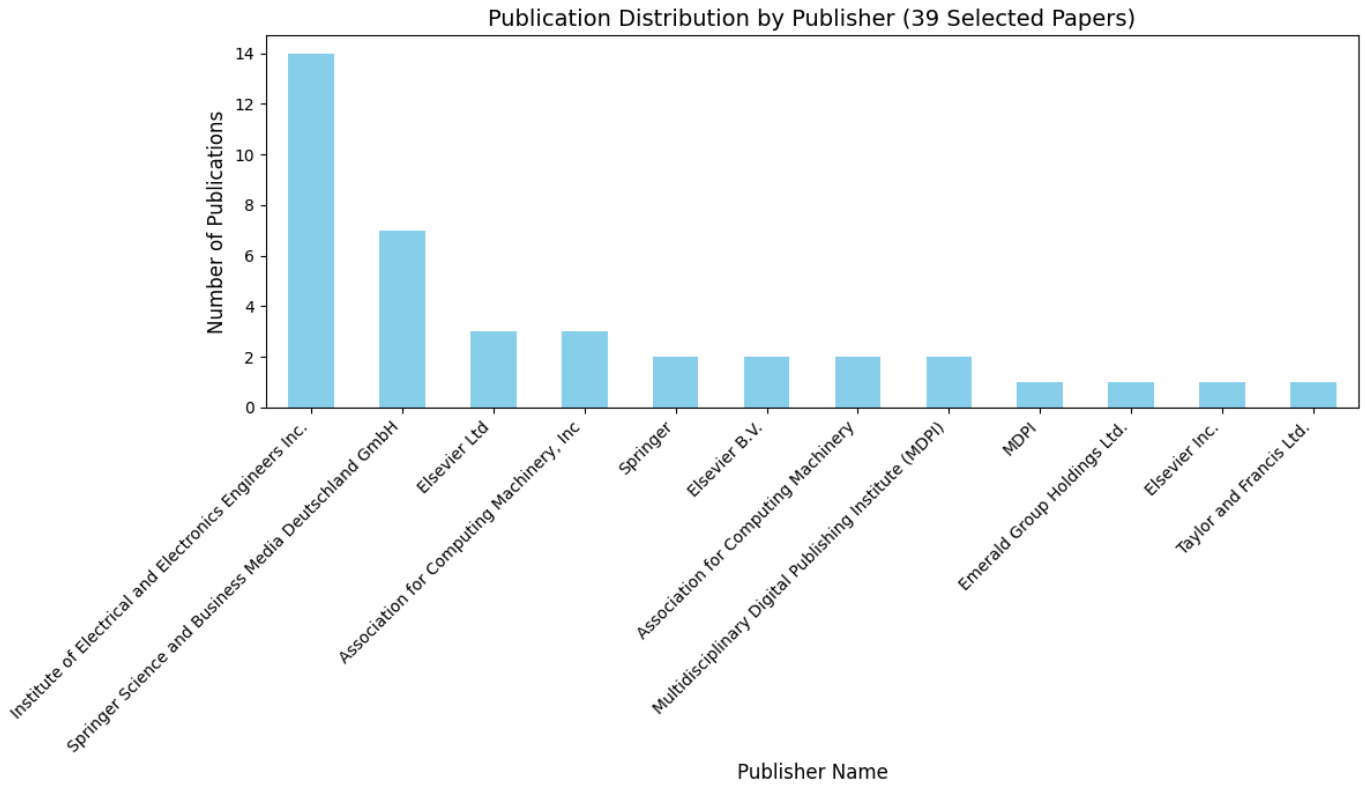

Figure 3: Distribution of publications across different publishers for selected 39 papers.

Table 1: Summary of Key AI Applications in DeFi from Papers [13] to [51]

Paper	Primary AI Application Area	Key AI Techniques Used	Main Findings/Contribution	Limitations
[13]	Scam Token Detection	Machine Learning, Guilt-by-association heuristics	Identified more than 10,000 scam tokens (50% of listed) on Uniswap V2; $16M profit by scammers.	Focused on Uniswap V2; may not capture evolving fraud.
[14]	Public Sentiment Analysis, CBDC Adoption Factors	Deep Learning, BERT, Text Mining, Econometrics	Public sentiment toward CBDC increased post-2020; influenced by government effectiveness, DeFi adoption.	Limited to Facebook data; cross-sectional data limits temporal explanations.
[15]	Cryptocurrency Sentiment Analysis	Machine Learning, Lexicon Sentiment Analysis	33.2% positive sentiment, 18% anticipation in 15,000 tweets; 'scam' identified as top negative word.	Limited to Twitter, English-only; no demographic analysis.
[16]	Rug Pull Detection	Machine Learning, FT-Transformer, XGBoost	Achieved 0.9936 accuracy for pre-occurrence rug pull detection; 97.7% analyzed tokens were rug pulls.	Results may not transfer to other chains (lower gas); computational cost for real-time.
[17]	NFT & DeFi Price Prediction	Ensemble ML (GBR, RF), ISOMAP, UMAP, XAI (SHAP, LIME)	Superior predictive performance for NFT/DeFi prices during COVID-19; technical indicators are critical.	Confined to COVID-19 period; limited asset coverage (8 tokens).
[18]	DeFi Attack Detection (Logic Vulnerabilities)	Deep Learning, Global/Local/Fusion Models	DeFiScanner achieved 0.91 TPR for flash loan/price manipulation attacks; first deep learning system for DeFi attacks.	Ethereum-centric; dataset timeframe limits evolving patterns; may miss non-event-based attacks.
[19]	Anomaly Detection	Deep Learning, VAE-Transformer	First comprehensive deep learning study for DeFi anomaly detection; identified 4 distinct anomaly cases.	Focused on Olympus DAO; hourly data may miss rapid anomalies.
[20]	Smart Contract Vulnerability Detection	Multimodal Feature Fusion, Deep Learning (bi-LSTM, GCN)	Achieved 85-90% accuracy for multiple vulnerabilities; outperformed traditional tools.	Limited to 4 vulnerability types; Ethereum/Solidity specific; requires source code.
[21]	Ponzi Scheme Detection	Deep Learning (LSTM), ADASYN	TTPS improved accuracy by modeling temporal features; identified patterns for Ponzi schemes.	Dataset may lack diversity; needs sufficient history; detection delays.
[22]	Impact of Blockchain & AI in Finance	Systematic Literature Review	AI aids investment, fraud detection, credit scoring; DeFi boosts inclusion and transparency.	Security, scalability, regulation challenges.
[23]	Investor Psychology & AI Awareness	Survey, Statistical Analysis	Higher trust in blockchain and AI among investors; loneliness noted.	Limited to US users; sample bias.

Paper	Primary AI Application Area	Key AI Techniques Used	Main Findings/Contribution	Limitations
[24]	Illicit Activity Detection	Machine Learning, Network Clustering (SLM)	Identified 23,638 malicious addresses; $1.4B ETH traced.	Depends on label accuracy; binary simplification.
[25]	Blockchain as Trust Machine	Historical Analysis, Taxonomy, Application Survey	Boosts trust in DeFi, NFTs, IoT; reduces AIGC risks.	Scalability, interoperability, regulation.
[26]	AI-powered Fraud Detection	Lit Review, Empirical, ML (Tree-based, Graph-based)	Stage-specific fraud patterns; tree models early, graph late.	Fast DeFi evolution; no real-time monitoring.
[27]	Smart Contract Auditing	ML (RF, KNN, Naive Bayes)	93-94% accuracy; improved auditing efficiency.	Ethereum focus; tool-based limitations.
[28]	Scam DeFi Token Detection	Transformer, BERT Sentiment	96.0% precision; flagged irregular transactions & negative sentiment.	Ethereum/Reddit bias; post-hoc explanations.
[29]	Securities Violations Detection	ML (Random Forest)	80% F1 using opcode frequencies; CALLDATASIZE critical.	Small dataset; lacks transaction data.
[30]	Credit Scoring	Ensemble ML (XGBoost, RF, AdaBoost, RGF, LightGBM)	95% accuracy with Aave data; reduced central reliance.	ERC-20/Reddit bias; legal issues.
[31]	Credit Risk & Liquidation Prediction	ML (XGBoost, RF, CNN, etc.)	0.92 AUC for liquidation; key: collateral volatility.	Ethereum bias; static contract analysis.
[14]0	Reentrancy Detection	Graph Convolution Networks (GCN)	HARDEN: 98.06% accuracy; better than symbolic tools.	Only EVM bytecode; costly for big CFGs.
[33]	Risk Forecasting (AMM)	GARCH, DeepAR	GARCH better for VaR; DeepAR excelled in ES.	Misses impermanent loss; Uniswap V2 only.
[34]	DeFi Security Trust Scoring	Multi-Model AI (GPT-3.5, XGBoost, Prophet, FinBERT)	86.17% accuracy for flash loan attacks; beat Mythril.	Ethereum focus; historical/sentiment limits.
[35]	Exploit Detection (Cross-Contract)	DL (BERT, GCN)	98.39% access control accuracy; low FPR.	Slow for large DApps; lacks multi-chain.
[36]	State Defect Detection	GCN, AST Extraction	94.83% accuracy; found new CVEs.	Fails on long contracts; defect-specific.
[37]	Price Prediction (DPI)	DL (BiLSTM-LSTM), Sentiment	98.33% accuracy; tracked volatility shifts.	Limited to DPI index; simulation only.
[38]	Learning-Based Governance	Reinforcement Learning (DQN)	Auto.gov retained 60% more profit; beat manual rules.	Simplified; adversarial risks; centralized.

Paper	Primary AI Application Area	Key AI Techniques Used	Main Findings/Contribution	Limitations
[39]	Smart Ponzi Detection	Multi-View Contrastive GNN, RL	0.902 F1; beat baselines with heterogeneous modeling.	Ethereum only; low explainability; scale untested.
[40]	AMM Optimization	Deep RL (LSTM-Q-learning)	93% liquidity use; 50% less slippage.	Synthetic data; scale limits.
[41]	Optimal Market Making	RL (POMDP, Q-learning)	0.2% avg loss without oracles; robust strategies.	Fixed trade size; scaling Q-table.
[42]	Client Tokens (Federated Learning)	Tokenization, Smart Contracts	40% lower entry costs; better FL reward liquidity.	Regulatory unclear; throughput limits.
[43]	Pre-Deployment Scam Detection	Static Analysis, N-gram, SVM	91.7% accuracy; early runtime cues effective.	Code reuse hurts accuracy; interpretability lacking.
[44]	Crypto Price Prediction	DL (ARIMA, BILSTM, GRU, LSTM+Attention)	LSTM-Attention lowest RMSE (170.25); time trends learned.	Short data history; extreme volatility.
[45]	Contract Vulnerability Detection	NN (ChordMixer)	93.5% accuracy; handled 7 types.	Small dataset; hard to separate similar issues.
[46]	Rug Pull Detection	Graph Classification with Feature Fusion	F1 up to 0.9975; outperformed baselines.	Historical data; Ethereum only.
[47]	AMM Fee Optimization	RL (Q-learning)	Adapted to users; beat static fees.	Gas cost; simulation gaps.
[48]	Multichain Fraud Detection	ML (DNN, XGBoost, SVM, GPT-3 Curie)	F1 = 0.742; key DeFi traits.	Severe class imbalance; short scope.
[49]	AI-Blockchain in Finance	Algorithmic (LSTM, VaR)	95.2% accuracy; 92.8% efficiency.	Scalability, compliance, retraining.
[50]	DeFi Stock Prediction	Deep Regression (DREGL, LSTM)	20% MAE drop vs ARIMA/GARCH.	Data quality; compute; volatility.
[51]	Crypto Arbitrage Dynamics	Economic Theory, Game Theory	DEXes offer more arbitrage; persistent gaps.	Data gaps; market change; regulation.

3.1 Application Areas of AI in Decentralized Finance

The results section synthesizes the collective contributions of these works. Rather than repeating each study, we focus on common themes. The reviewed papers demonstrate AI's multifaceted role: fraud detection (scam/rug-pull identification), smart contract analysis (vulnerability detection and auditing), market forecasting (price prediction, risk scoring), governance (decentralized governance mechanisms), and anomaly detection (identifying unusual transactional patterns). We also observed applications in investor sentiment analysis and regulatory compliance (e.g., [21] on CBDC acceptance, [22] on cryptocurrency sentiment).

3.1.1 Fraud and Scam Detection

AI plays a pivotal role in combating the various forms of fraud and scams that plague DeFi, a necessity given the absence of centralized oversight. Multiple studies report very high accuracy in detecting deceptive behaviors. For instance, [23] achieved 99.36% accuracy for rug-pull detection; [25] reported 91% true positive rate in detecting logic vulnerabilities (flash loans, price manipulation).

Ponzi scheme detection also benefits significantly from AI. Wang et al. developed TTPS (Temporal Transaction information-aware Ponzi scheme detection), an LSTM-based approach that incorporates temporal features to improve accuracy in identifying Ponzi schemes within Ethereum smart contracts, demonstrating superior performance over static methods [21]. Jiang and Tsai introduced MVCG-SPS, a multi-view contrastive Graph Neural Network (GNN) combined with reinforcement learning (RL) for smart Ponzi scheme detection, achieving an F1 score of 0.902 by effectively modeling heterogeneous blockchain data [39].

3.1.2 Smart Contract Security and Vulnerability Detection

Techniques like deep learning with multimodal feature fusion ([27]) and graph-based analysis ([41]) have significantly improved vulnerability detection, often outperforming traditional tools. For example, HARDEN [21] (graph convolutional networks) achieved 98.06% accuracy for reentrancy detection, surpassing symbolic methods.

3.1.3 Market Prediction and Risk Assessment

Ensemble machine learning models (e.g., [24], [38]) achieved high accuracy in price forecasting and liquidation risk prediction. These studies often integrated on-chain and off-chain data (technical indicators, social media sentiment) to improve predictions.

3.1.4 Price Prediction and Forecasting

AI models are extensively employed to predict cryptocurrency and DeFi asset prices, a critical function in highly volatile markets. The integration of diverse data sources into these models reflects an understanding that DeFi markets are influenced by both on-chain mechanics and broader external narratives.

Ghosh et al. investigated the predictability of Non-Fungible Tokens (NFTs) and DeFi assets during the COVID-19 pandemic using ensemble machine learning techniques (ISOMAP-GBR and UMAP-RF) combined with Explainable AI (XAI) [17]. Gupta et al. proposed a hybrid deep learning model (BILSTM-LSTM) to predict price variations of the DeFi Pulse Index (DPI) [37].

The ability of AI models to incorporate "media chatter" and "social media sentiment" alongside traditional financial indicators represents a more holistic, AI-enabled approach to capturing market irrationality and external influences.

3.1.5 Governance and Credit Scoring

AI-based credit scoring (e.g., [37]) reached 95% accuracy in evaluating DeFi lending risk (using Aave data), indicating potential to automate and democratize credit decisions. Learning-based governance models (e.g., [45], [47]) have been proposed for optimizing market-making and parameter tuning.

3.1.6 Explainability and Novel Use Cases

Some research emphasizes the importance of XAI (e.g., [24] integrating SHAP/LIME) and even explores emerging technologies: transformer language models (GPT-3 variants) have been trialed for smart contract auditing and fraud pattern recognition (as noted by [51], [52], [58]).

Across studies, AI models typically outperform traditional rule-based or static methods. For example, machine learning classifiers catch complex patterns that signatures miss, and deep learning models adapt better to evolving data than rigid

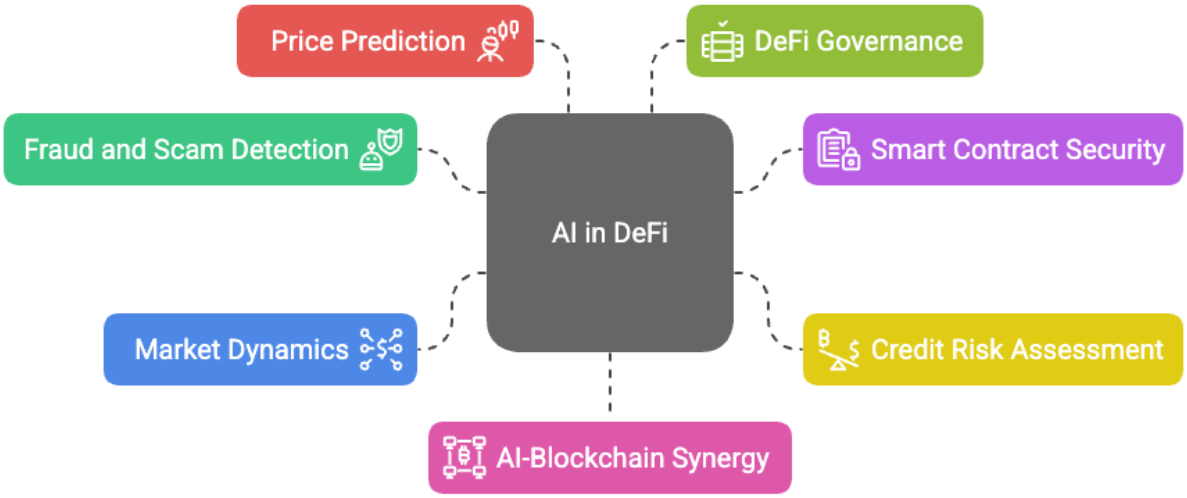

Figure 4: AI Applications in Decentralized Finance

heuristics. However, almost all papers have some limitations (see Table I). Common issues include limited or imbalanced datasets (e.g., insufficient real-world examples, over-reliance on simulated data), focus on a single blockchain (mostly Ethereum), and computational costs (especially for deep and graph models). These constraints highlight areas needing further research. In summary, the 39 papers collectively show that AI is emerging as a fundamental enabling technology in DeFi. Table I provides a detailed reference for each study's contributions and constraints, illustrating the current state-of-the-art.

3.2 AI Techniques Employed

The systematic review of AI applications in DeFi reveals a diverse array of techniques, with a clear progression towards more complex and multimodal approaches. This evolution reflects the increasing sophistication required to tackle DeFi's dynamic and interconnected challenges, as simpler, traditional machine learning models are often insufficient for the nuanced complexities of decentralized ecosystems.

Deep Learning (DL) is widely utilized across various applications. It is employed for anomaly detection, smart contract vulnerability detection, price prediction, and general attack detection. Specific architectures include Long Short-Term Memory (LSTMs), Bidirectional LSTMs (BiLSTMs), Gated Recurrent Units (GRUs), Convolutional Neural Networks (CNNs), Variational Autoencoder-Transformers (VAE-Transformers), and general deep neural networks.

Machine Learning (ML) techniques are prevalent for tasks such as scam token detection, credit scoring, fraud detection, and risk forecasting. Common algorithms include Random Forest, XGBoost, Support Vector Machines (SVM), LightGBM, AdaBoost, K-Nearest Neighbors Regressor, and Regularized Greedy Forest (RGF).

Graph Neural Networks (GNNs) are increasingly prominent, particularly for detecting complex fraud patterns and vulnerabilities by leveraging relational data. This category includes Graph Convolutional Networks (GCNs), and multi-view GNNs. The use of GNNs is a direct response to the need to understand how transactions connect to each other, rather than viewing them in isolation, which is crucial for spotting manipulation in real-time [54]. Reinforcement Learning (RL) is applied for adaptive decision-making and optimization. This includes learning-based governance, optimal market making, and Automated Market Maker (AMM) fee optimization, often utilizing Q-learning or Deep Q-Networks.

Natural Language Processing (NLP) and Sentiment Analysis techniques are employed for analyzing public opinion on cryptocurrency, integrating social media sentiment into price prediction models, and evaluating scam-related discourse.

Explainable AI (XAI) is an emerging area, used in price prediction and scam detection to provide interpretability for

model decisions, an important factor for fostering trust and adoption.
Finally, Large Language Models (LLMs), specifically fine-tuned models like GPT-3 Curie, GPT-3.5, and GPT-4, are being explored for advanced smart contract audits and fraud detection, demonstrating their potential in processing and understanding complex code and textual data. The observed shift towards more complex AI techniques, such as GNNs, Transformers, and RL, along with multimodal approaches, signifies the increasing sophistication required to tackle DeFi's dynamic and interconnected challenges. This progression indicates that simpler, traditional machine learning models are often insufficient for the nuanced complexities of decentralized ecosystems.

Table 2: AI Techniques and Their Applications in DeFi

AI Technique Category	Specific Algorithms/Models	Primary Application Areas in DeFi	Representative Papers
Deep Learning (DL)	LSTMs, BiLSTMs, GRUs, CNNs, VAE-Transformers, Deep Neural Networks	Anomaly Detection, Smart Contract Vulnerability Detection, Price Prediction, General Attack Detection, Financial Management	[17, 18, 19, 20, 21, 28, 31, 35, 36, 37, 40, 44, 45, 48, 49, 50]
Machine Learning (ML)	Random Forest, XGBoost, SVM, LightGBM, AdaBoost, KNN, RGF	Scam Token Detection, Credit Scoring, Fraud Detection, Risk Forecasting, Securities Violations	[13, 16, 17, 26, 27, 28, 29, 30, 31, 33, 34, 43, 46, 48]
Graph Neural Networks (GNNs)	GCNs, Multi-view GNNs	Fraud Detection (complex patterns), Smart Contract Vulnerability Detection	[20, 32, 35, 36, 39]
Reinforcement Learning (RL)	Q-learning, Deep Q-Networks (DQN), POMDP	Learning-Based Governance, Optimal Market Making, AMM Fee Optimization	[38, 40, 41, 47]
Natural Language Processing (NLP) / Sentiment Analysis	BERT, FinBERT, Text Mining	Public Opinion Analysis, Price Prediction, Scam-related Discourse	[14, 15, 17, 28, 34, 37, 44, 51]
Explainable AI (XAI)	SHAP, LIME, Integrated Gradients	Price Prediction, Scam Detection	[17, 28]
Large Language Models (LLMs)	GPT-3 Curie, GPT-3.5, GPT-4	Smart Contract Audits, Fraud Detection	[34, 48]

4 Discussion

The systematic review of AI applications in DeFi reveals several overarching trends that underscore AI's growing centrality in this ecosystem. The most notable trend is AI's dominant role in security-related applications: most studies focus on fraud detection and smart contract vulnerability mitigation. This emphasis reflects DeFi's critical need to establish trust and prevent losses in a permissionless environment without traditional intermediaries. We also observe a clear evolution in AI techniques: researchers are moving from simpler machine learning models toward more advanced architectures such as LSTM-based networks, Transformers, Graph Neural Networks (GNNs), and Reinforcement Learning (RL) models. This progression indicates that the complexity and dynamism of DeFi problems demand capabilities beyond what basic models can offer. For example, attackers' tactics (like sophisticated manipulations in decentralized exchanges) continuously evolve, driving the use of adaptive AI solutions. Another major trend is multimodal data integration. Many studies combine on-chain transaction data with other sources—such as smart contract code features, social media sentiment, and macroeconomic indicators—to improve prediction accuracy and anomaly detection. This holistic approach leverages AI's strength in processing heterogeneous data. For instance, sentiment analysis using BERT-like models (as in [21], [22], [24], [51], [58]) captures public mood around assets, which when fused with price data can enhance prediction models. Similarly, pattern analysis that uses both graph relationships (transaction networks) and textual data (whitepaper content or code) has become more common, reflecting an emphasis on leveraging all available information. A third trend is proactive detection. Rather than reacting to events, newer AI systems aim to catch problems before they escalate. For example, studies on pre-deployment scam token detection ([20]) and early-stage fraud alerts ([23], [25]) signify a strategic shift toward prevention. Such approaches typically involve training models on historical patterns to flag anomalies as soon as they emerge, which is crucial for DeFi's stability. Overall, the convergence of advanced AI techniques (deep learning, GNNs, RL) with multimodal data in areas like security and market optimization suggests AI is effectively becoming the de facto "trust layer" in DeFi—compensating for the lack of centralized intermediaries.

4.1 Effectiveness and Challenges of AI in DeFi

AI applications in DeFi have demonstrated impressive effectiveness in controlled experiments. Reported accuracy rates are often very high (frequently above 90%). For instance, fraud detection and vulnerability identification models often achieve 90–99% accuracy or F1-scores [25, 27, 40, 41]. Credit scoring models based on ensemble learning reached 95% accuracy [37], while price prediction models have reported up to 98% accuracy in certain indices [44]. In many cases, these AI models significantly outperformed simpler baselines or traditional tools. For example, the DeFiScanner [25] deep learning system for detecting flash loan and price manipulation attacks achieved substantially higher true positive rates than previous methods. Similarly, graph-based detectors like HARDEN [21] outshine conventional static analyzers for reentrancy flaws.

Despite these successes, practical deployment faces significant hurdles. Data limitations are pervasive. DeFi is relatively new, so historical data is limited. Datasets used in studies are often small or imbalanced (for example, one study had only 81 malicious addresses versus 10,000 legitimate ones). Class imbalance and the "code reuse" problem (where fraudulent and benign contracts share similar code templates) can reduce model discriminative power. Moreover, many datasets come from Ethereum or specific protocols, limiting generalizability. Real-time applicability is another challenge. Many AI solutions are computationally intensive. Deep learning and graph algorithms require substantial processing, which hinders real-time monitoring of high-throughput blockchain networks. Additionally, on-chain data changes rapidly, and updating models in real time is costly in terms of computation and gas fees. This "train once, stale forever" issue means models can quickly become outdated in a fast-evolving ecosystem.

Cross-chain generalizability is also limited. A model trained on Ethereum (or on older versions of protocols) may not transfer directly to other blockchains or newer protocol versions. DeFi spans many networks (Solana, BNB Chain, etc.) and evolves rapidly (e.g., Uniswap V3 differs greatly from V2). Most current models do not account for these differences, so their applicability outside the test environment is uncertain.

Another concern is interpretability. Complex models (deep neural networks, ensemble methods) often act as black boxes. When these models flag a transaction as fraudulent or a contract as vulnerable, the reasoning may not be clear. This opacity hinders trust and makes it difficult for practitioners to understand or validate the results without additional explanation tools. Some studies use XAI (SHAP, LIME) [24, 35] to address this, but explainability remains an open issue, especially for real-time, high-stakes applications.

Finally, regulatory uncertainty and ethical considerations pose challenges. DeFi operates in a somewhat gray legal environment, and adding AI on top introduces new compliance questions. Questions about data privacy, model bias (e.g., bias in credit scoring data), and accountability of autonomous systems must be addressed. The lack of clear regulation can slow adoption of AI solutions by conservative institutions. In sum, while AI shows strong performance in theory, there is a gap between academic demonstrations and real-world deployment. Many models achieve high accuracy in controlled tests, but their effectiveness in live, scalable systems remains to be proven. Bridging this gap requires addressing the above challenges (data quality, cross-chain robustness, interpretability, regulatory compliance).

Fig. 5 illustrates the complex challenges of integrating AI into DeFi. Key issues include security (smart contract bugs and adversarial attacks on AI models), scalability (processing large volumes of blockchain data), data limitations (scarcity of labeled DeFi datasets), and adversarial vulnerabilities (malicious inputs that fool AI). Other challenges are model opacity (lack of transparency in AI decisions), ethical concerns (bias and fairness), and the evolving regulatory landscape for AI and blockchain.

4.2 Comparison with Traditional Approaches and AI's Unique Value Proposition

Traditional security and risk management methods in finance often fall short in DeFi. Rule-based systems (e.g., static rules for fraud flags) quickly become obsolete against evolving DeFi threats [61]. Static code analysis can miss complex dynamic interactions, and conventional economic models may not capture the irrational or emergent behavior of decentralized markets. In contrast, AI offers several advantages:

4.2.1 Adaptive Learning

AI models (especially deep learning and RL) can adapt to new patterns and threats. They continuously learn from fresh data, providing dynamic defenses that evolve. This adaptability is crucial in the "arms race" between attackers and defenders in DeFi [61].

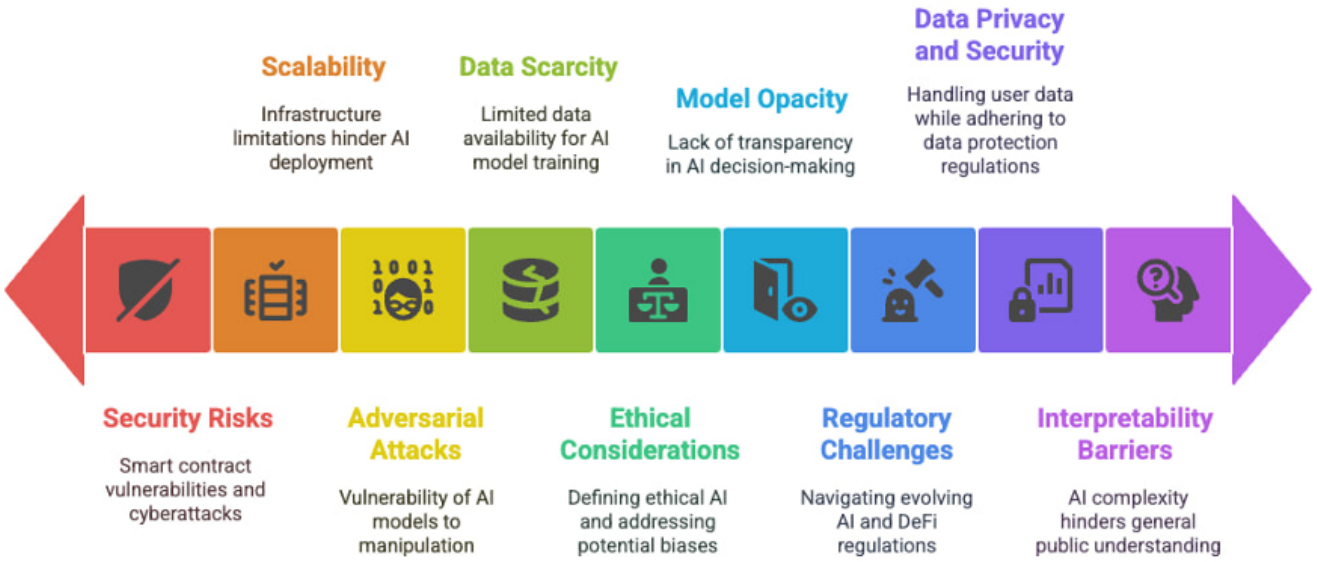
Scalability
Infrastructure limitations hinder AI deployment
Data Scarcity
Limited data availability for AI model training
Model Opacity
Lack of transparency in AI decision-making
Data Privacy and Security
Handling user data while adhering to data protection regulations
Security Risks
Smart contract vulnerabilities and cyberattacks
Adversarial Attacks
Vulnerability of AI models to manipulation
Ethical Considerations
Defining ethical AI and addressing potential biases
Regulatory Challenges
Navigating evolving AI and DeFi regulations
Interpretability Barriers
AI complexity hinders general public understanding

Figure 5: challenges in integrating AI into DeFi

4.2.2 Relational Understanding

Graph Neural Networks excel at analyzing relationships in blockchain transaction graphs. They can uncover subtle, multi-step attacks or collusion networks that isolated transaction analysis would miss. This relational insight is vital for detecting sophisticated fraud.

4.2.3 Scalability and Automation

AI automates complex analysis and can process vast data volumes beyond human capacity. Given the high transaction throughput and numerous smart contracts in DeFi, AI's ability to audit and analyze at scale enables more comprehensive monitoring than manual or rule-based methods.

4.2.4 Multimodal Data Fusion

AI can integrate diverse data sources—on-chain transactions, contract code, social media sentiment, market indicators—to form a holistic view of DeFi activity. This integration improves predictive accuracy; for example, sentiment analysis combined with price data can better predict price swings or identify pump-and-dump schemes.

4.2.5 Creation of New Primitives

AI enables entirely new functionalities. Examples include decentralized credit scoring systems that learn from blockchain behavior, or AI-driven governance mechanisms that adjust protocol parameters automatically. Such innovations would be infeasible without AI.
Ultimately, AI's unique value in DeFi lies in its ability to address gaps left by decentralization. Traditional methods were built for centralized systems; they assume regulation and oversight. DeFi lacks these, and AI's pattern recognition

and automation create a "trust layer" that can replace some of the missing infrastructure. In this sense, AI is not just an enhancer of existing tasks, but a foundational enabler for DeFi's maturity and security.

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4.3 Limitations

The reviewed studies collectively reveal several limitations inherent in current AI-for-DeFi research. These indicate systemic challenges that require breakthroughs before AI solutions can be widely and robustly deployed in practice.

4.4 Dataset Constraints

Many papers note severe data issues. Datasets are often small, unbalanced, or too narrow (e.g., only covering Ethereum or a specific time period). Class imbalance is common (legitimate transactions far outnumber fraudulent ones), which can bias models. The reliance on historical data means models may not capture new attack patterns. Additionally, the "code reuse problem" in scam detection makes it hard to distinguish malicious tokens from benign ones using static features alone.

4.5 Generalizability and Scalability

Most models are built for specific platforms (often Ethereum) or specific protocol versions (Uniswap V2, older smart contract standards). This limits applicability to other blockchains (Solana, BNB Smart Chain, etc.) or newer protocols (Uniswap V3). Furthermore, advanced models (deep networks, GNNs) have high computational costs. These costs hinder real-time analysis and large-scale deployment across numerous DApps.

4.6 Dynamic Environment

DeFi evolves continuously. Protocols are updated, new types of projects emerge, and attacker tactics change rapidly. AI models must be retrained and updated frequently to keep up. This operational burden is significant. A model that performs well today may be outdated tomorrow, necessitating ongoing data collection and retraining frameworks.

4.7 Interpretability and Trust

Complex AI models often act as black boxes. If a model flags a transaction or contract, understanding why is not always clear. This opaqueness can undermine trust in the model's output. Without clear explanations, stakeholders (developers, users, regulators) may be reluctant to act on AI-driven alerts. Techniques like XAI can help, but more work is needed to make AI decisions transparent in the high-stakes financial context.

4.8 Regulatory and Ethical Uncertainty

The integration of AI and blockchain raises regulatory questions. There is no unified framework governing AI in DeFi, so compliance is unclear. Data privacy is another concern, since blockchain is public. Moreover, ethical issues like algorithmic bias (e.g., in credit scoring or fraud detection) must be addressed to ensure fairness and compliance with emerging regulations.

4.9 Scope of Threats

Many studies focus on specific vulnerability types (e.g., flash loans, rug pulls) or attack vectors. This narrow focus means new or combined threats could be overlooked. A holistic security approach must consider the full spectrum of DeFi risks, including economic exploits and off-chain factors.

Current research often excels at narrow tasks under controlled conditions. However, these limitations highlight a gap toward real-world deployment. The field is still nascent in producing production-ready AI tools for DeFi. Overcoming these hurdles will likely require larger datasets, cross-chain research, more efficient algorithms, continuous learning systems, and clearer regulatory guidance.

4.10 Future Directions

The collective insights from the reviewed papers suggest several promising directions for future research:

4.11 Cross-Chain and Multi-Protocol Solutions

Future work should aim for AI methods that are blockchain-agnostic. Current studies often target a single platform; researchers should develop models that work across multiple blockchains and DeFi protocols. This will reduce fragmentation in DeFi security and enable broader defenses.

4.12 Real-Time and Adaptive Systems

Research should prioritize real-time monitoring and early-warning systems. This includes deploying AI that can update continuously, perhaps using online learning or federated approaches, to adapt to new threats as they emerge. Incorporating adversarial training could also improve robustness against evolving attacker strategies.

4.13 Enhanced Data Sources and Feature Engineering

Expanding the data used for AI models is crucial. Future studies should incorporate live social media feeds, off-chain market indicators, developer activity (e.g., code commits), and more extensive blockchain analytics. Sophisticated feature engineering (e.g., creating features that capture transaction patterns or contract call graphs) can help mitigate issues like class imbalance.

4.14 Advanced AI Architectures and Hybrid Methods

The trend toward more sophisticated models should continue. Researchers could explore transformers for sequence and code analysis, ensemble models combining multiple AI approaches, and hybrid methods that fuse static code analysis with dynamic transaction monitoring. Combining supervised and unsupervised learning could help detect unknown threats.

4.15 Explainable AI (XAI) and Interpretability

Given trust concerns, further work on XAI is essential. Techniques that provide clear, understandable explanations of AI decisions will facilitate trust and regulatory acceptance. For example, research could focus on domain-specific XAI tools tailored to smart contract code or financial risk contexts.

4.16 Regulatory and Compliance Frameworks

Developing clear regulatory guidelines and RegTech solutions for AI-DeFi integration is critical. Research should explore how to embed compliance into AI systems (e.g., automated reporting, on-chain audit trails) and collaborate with policymakers to create conducive frameworks.

4.17 Human-AI Collaboration

Instead of fully automating oversight, future systems could enhance human analysts. Studies could examine interfaces where AI suggests actions and humans make final decisions, combining computational power with expert judgment. This can strengthen governance and security processes.

4.18 Standardized Benchmarks and Datasets

There is a need for common benchmarks. The creation of public, standardized datasets and evaluation metrics would allow consistent comparison between models. This also addresses data authenticity and reliability, enabling more rigorous progress tracking.

These directions emphasize that advancing AI for DeFi is not only about more powerful models. It's about addressing the systemic limitations identified earlier. Key themes include "cross-chain," "real-time," "adaptive," "explainable," and "regulatory frameworks." These suggest AI solutions must become more holistic and integrated into the broader DeFi ecosystem, moving beyond siloed academic exercises. Achieving this will likely require interdisciplinary collaboration among AI researchers, blockchain developers, financial experts, and regulators.

5 Conclusion

This systematic review highlights the significant and rapidly expanding applications of Artificial Intelligence in Decentralized Finance. AI is not a mere optional enhancement in DeFi; it is becoming indispensable to the ecosystem's continued growth and credibility. AI's capabilities are critical for enhancing security, improving efficiency, enabling new financial services, and supporting governance in a permissionless, intermediary-free environment. The reviewed literature shows that a wide spectrum of AI techniques—from deep learning and graph neural networks to reinforcement learning and advanced NLP—have proven effective in tackling DeFi's critical challenges. These techniques have achieved highly accurate results in fraud and scam detection, proactive smart contract vulnerability identification, robust credit risk assessment, and optimized market operations. Unlike static rule-based systems, AI provides adaptive defenses and predictive insights. Its ability to learn from and integrate diverse data sources (on-chain transactions, code analysis, social media, etc.) creates a dynamic protection layer that is far more responsive to emerging threats than traditional methods. However, persistent challenges remain. Data scarcity and imbalance, computational demands for real-time applications, limited cross-chain generalizability, and the need for interpretable models are ongoing obstacles. The fast-evolving nature of DeFi and attacker tactics means AI solutions must continually adapt. These challenges underscore that the journey from academic prototypes to real-world deployment will require sustained innovation. In conclusion, AI is transforming DeFi from a high-risk frontier into a more stable and sophisticated financial paradigm. By providing adaptable intelligence and automation, AI fills crucial gaps arising from DeFi's permissionless nature. The future of DeFi will heavily rely on continued AI advancement—especially the development of integrated, robust, and ethical AI solutions that work effectively across DeFi's complex, dynamic, and increasingly regulated landscape. ß

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